



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

August 24, 2005

Kerry Holt  
Kerry Holt Hay Cubes, Inc.  
P.O. Box 249  
Enterprise, Utah 84725

Subject: Complete Notice of Intention to Commence Small Mining Operations and Approval of Form and Amount of Reclamation Surety, Kerry Holt Hay Cubes, Inc., Quartz Hill Quarry, S/021/036, Iron County, Utah

Dear Mr. Holt:

On August 16, 2005 we received your Reclamation Contract and \$17,000 Certificate of Deposit issued by Zions Bank. for the Quartz Hill Quarry site. Copies of the signed and executed documents are enclosed for your files. We will forward a copy of the executed documents to the BLM, for their records. The surety will be reviewed periodically to assure that the bond remains adequate. For your information, we returned the original incorrect CD (that showed \$1,700 instead of \$17,000) to Zions Bank as they requested.

*The Division grants final approval of your small mining notice of intention and the reclamation surety for the Quartz Hill Mine. You may commence with your mining operations as outlined provided you have satisfied and received written acceptance from the Bureau of Land Management requirements.*

We have received Utah Division of State History notification that no historic properties affected by this operation. Please be advised that if you encounter any archaeological or historical concerns, we highly recommend you cease operations and notify this office and State History of your find.

In accordance with the requirements of Rule R647-3-105, regarding the project location and disturbed area identification on a topographic map, *the Division requests that you mark the proposed/actual disturbed area boundary (including access/haul roads) in the field with metal T-Posts (or other suitable, fixed markers) to assure that operations do not exceed the five acre limitation of this permit.* Markers must be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.

Kerry Holt  
Page 2 of 2  
S/021/036  
August 24, 2005

The acceptance of this notice and surety is for a small mining operation only, **not to exceed five (5) acres**. You are not authorized to disturb beyond the five acres without first amending your notice, adjusting the bond amount and receiving written acceptance from this office and from the BLM. If you wish to expand to a large mine status, approval typically takes up to six to twelve months or longer. Please allow the appropriate lead time to complete the permitting.

For your reference, I have enclosed copies of our summarized rules regarding "Operation and Reclamation Practices," and the statutory penalty for failure to reclaim a minesite (SMO-summary). (The mining rules in their entirety can be obtained at <http://www.rules.utah.gov/>.) Please give special consideration to item #10 of the "Operation and Reclamation Practices." Stockpiling topsoil material prior to beginning your mining operation will help ensure successful revegetation efforts upon final reclamation of the minesite. If the area being mined is a solid rock outcrop, or if the land surface is very rocky, then soil stockpiling is probably not possible. However, even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory release from reclamation requirements.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5258 or Doug Jensen at 538-5382. Best wishes with your new mining venture.

Sincerely,



Susan M. White  
Mine Program Coordinator  
Minerals Regulatory Program

SMW:dj:jb  
Attachment: SMO summary  
Enclosure: Copy of RC & surety forms  
cc: Ed Ginouves, BLM, Cedar City FO (UTU-82099) w/Encl  
Opie Abeyta, BLM State Office, w/Encl  
O:\M021-Iron\S0210036-QuartzHill\final\apvl-08242005.doc

**IV. OPERATION AND RECLAMATION PRACTICES (Rule R647-3-107, 108 & 109)**

**(SMO-1)**

The reclamation and operation obligation is to keep the area clean and safe, minimize hazards to public safety, return the land to a useful condition, and reestablish at least 70 percent of the premining vegetative ground cover. To accomplish this, the operator will need to perform reclamation concurrently, or at the completion (within one (1) year) of mining:

1. Keep the mining operation in a safe, clean, and environmentally stable condition.
2. Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.
3. Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in the subsurface to prevent aquifer contamination.
4. Construct berms, fences, or barriers, when needed, above highwalls and excavations.
5. Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state regulations.
6. Remove all waste or debris from stream channels.
7. Dispose of any trash, scrap metal, wood, machinery, and buildings.
8. Conduct mining activities so as to minimize erosion and control sediment.
9. Reclaim all roads that are not part of a permanent transportation system.
10. Stockpile topsoil and suitable overburden prior to mining.
11. Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible; reshape the land to near its original contour, and redistribute the topsoil and suitable overburden.
12. Properly prepare seedbed to a depth of six inches by ripping, discing, or harrowing.
13. Reseed disturbed areas with adaptable species. (The Division recommends seeding 20 lbs./acre of native and introduced species of grass, forb, and browse seed, and will provide a specific species list if requested.)
14. Plant the seed with a rangeland or farm drill, or if broadcast seeded, harrow or rake the seed 1/4-1/2 inch into the soil - fall is the preferred time to seed.

**(SMO-2)**

**Failure to Reclaim**

Section 40-8-14 (6) of the State of Utah Mined Land Reclamation Act, states the following:

If the operator of a small mining operation fails or refuses to carry out necessary land reclamation as required by this chapter and the rules of the Board; the Board, after notice and hearing, may order that:

- (a) reclamation be conducted by the Division;
- (b) the costs and expenses of reclamation, together with the costs of collection, including attorney's fees, be recovered in a civil action brought by the Attorney General against the operator in any appropriate court.

File Number S/021/036

Effective Date 8/18/2005

Other Agency File Number BLM

COPY



STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

RECLAMATION CONTRACT

—ooOoo—

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) S/021/036  
(Mineral Mined) Decorative Rock

"MINE LOCATION":  
(Name of Mine) Quartz Hill  
(Description) Lot 14 & 19, Section 3  
Township 36S Range 17W

"DISTURBED AREA":  
(Disturbed Acres) 5 Acres  
(Legal Description) (Refer to Attachment A)

"OPERATOR":  
(Company or Name) Kerry Holt Hay Cakes, Inc.  
(Address) P.O. Box 249  
Enterprise, UT 84725  
(Phone) 435-878-2721

copy



"OPERATOR'S REGISTERED AGENT":

Name)  
(Address)

Kerry Holt  
P.O. Box 249  
Enterprise, UT 84725

(Phone)

435-878-2328

"OPERATOR'S OFFICER(S)" & TITLE:

Kerry Holt  
President

SURETY":

(Form of Surety - Attachment B)

Certificate of Deposit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Zions Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$17,000.00

"ESCALATION YEAR":

as Required

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Kerry Holt Hox Carls, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. 51021/036 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.



*Copy*

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Reclamation Plan and/or Notice of Intention received by the Division on July 22, 2005. The Reclamation Plan and/or Notice of Intention, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and

Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

copy



14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.



OPERATOR:

copy



Kerry Holt Hay Cubes, Inc.  
Operator Name

By Kerry Holt  
Authorized Officer (Typed or Printed)

President  
Authorized Officer - Position

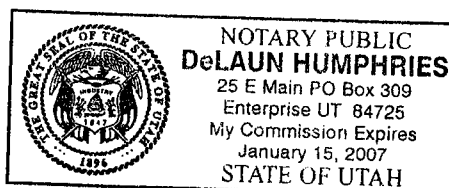
Kerry Holt 8-10-05  
Officer's Signature Date

STATE OF Utah )  
COUNTY OF Washington ) ss:

On the 10 day of August, 2005, Kerry Holt  
personally appeared before me, who being by me duly sworn did say that he/she is the  
president of K.H.C. and duly acknowledged that said instrument was signed on behalf  
of said company by authority of its bylaws or a resolution of its board of directors and  
said Kerry Holt duly acknowledged to me that said company  
executed the same.

DeLa Humphries  
Notary Public  
Residing at Enterprise, Utah

Jan. 15, 2007  
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

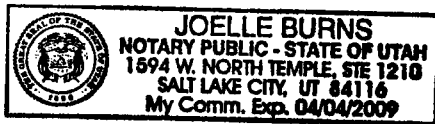


By John R. Baza  
John R. Baza, Director

8/18/05  
Date

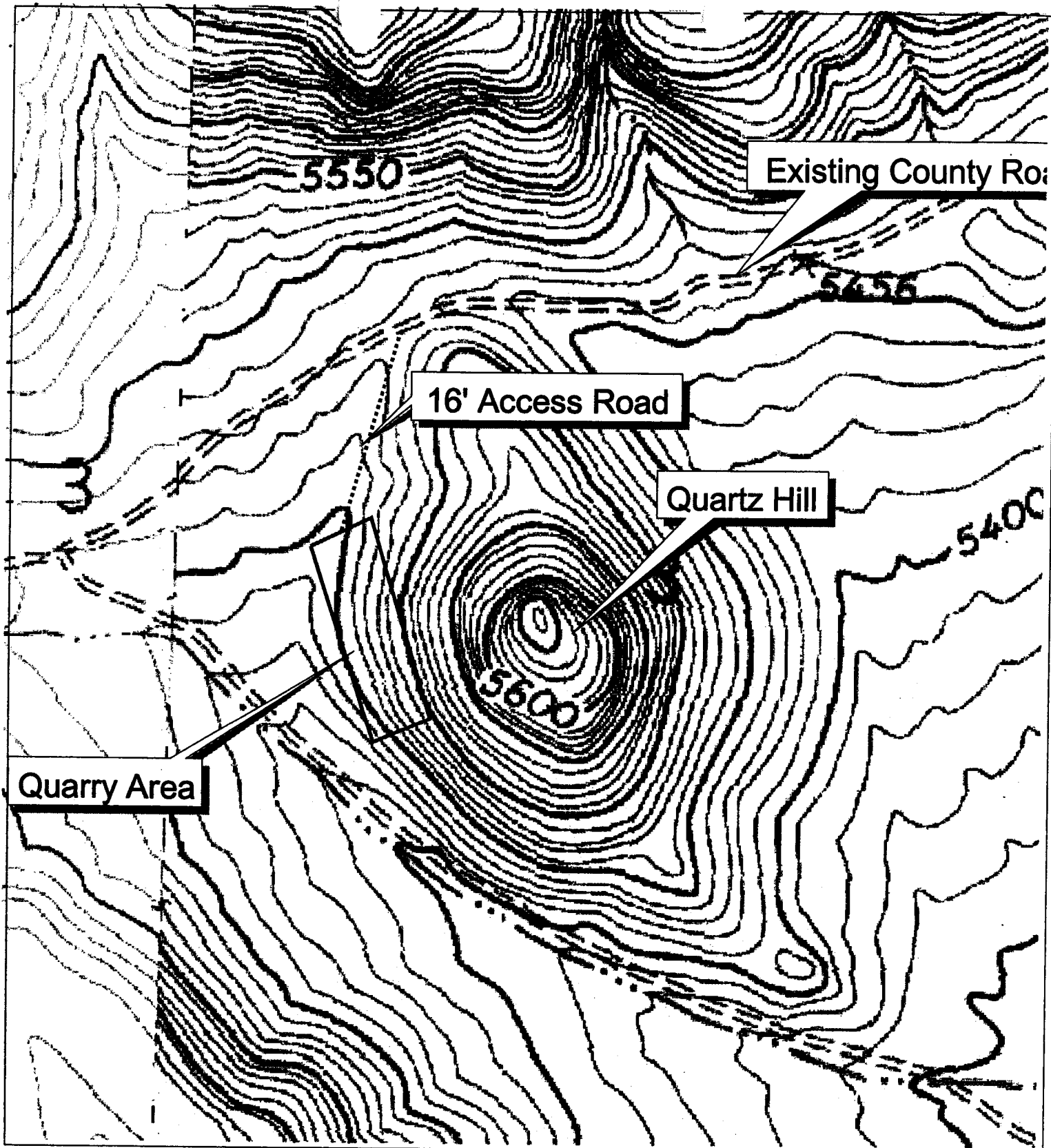
STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 18<sup>th</sup> day of August, 2005, John R. Baza  
personally appeared before me, who being duly sworn did say that he, the said  
John R. Baza is the Director of the Division of Oil, Gas and Mining,  
Department of Natural Resources, State of Utah, and he duly acknowledged to me that  
he executed the foregoing document by authority of law on behalf of the State of Utah.



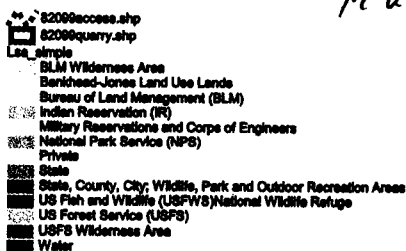
Joelle Burns  
Notary Public  
Residing at: Salt Lake

April 4, 2009  
My Commission Expires:

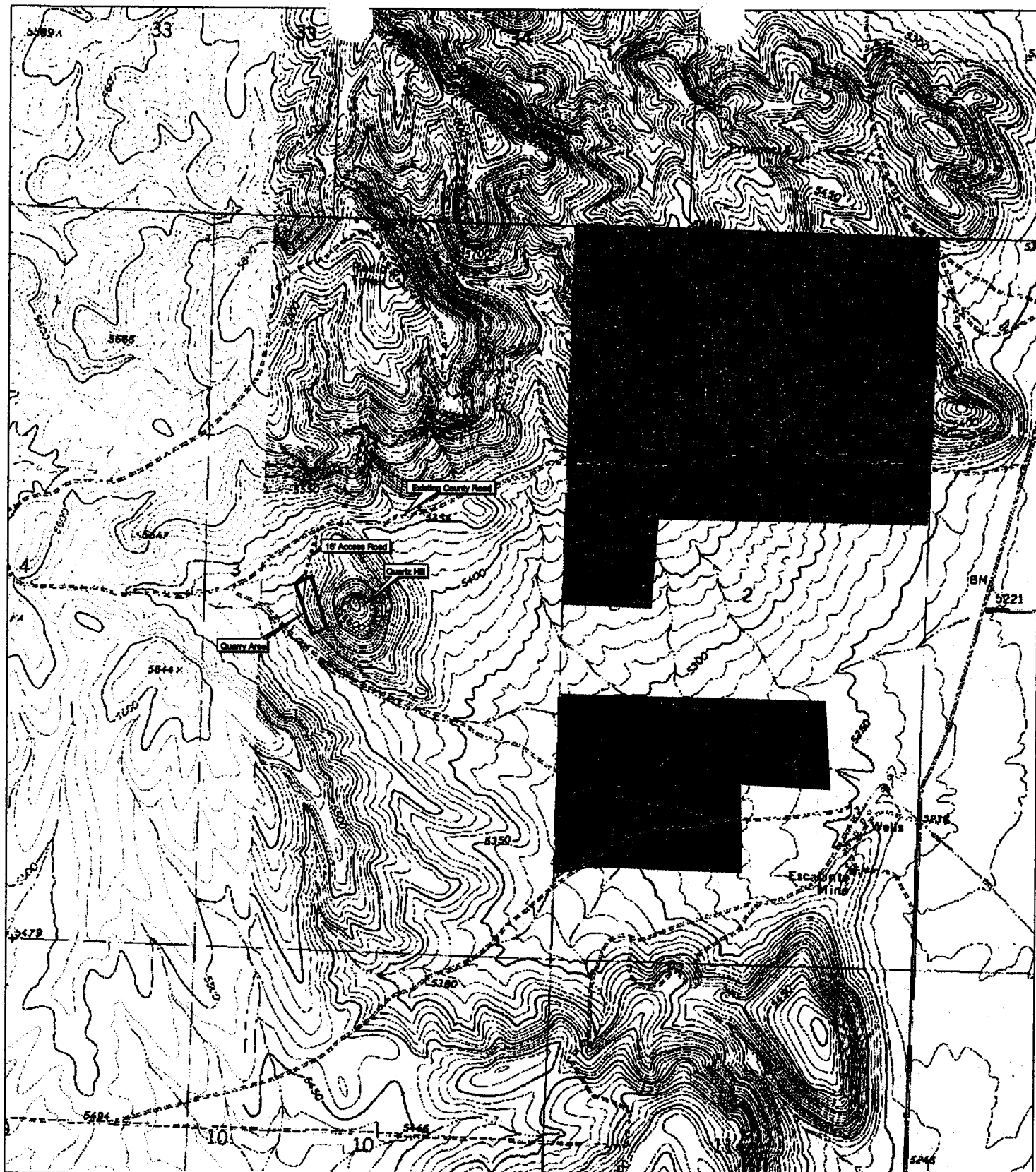


Project: Quartz Hill Decorative Rock Quarry  
 Operator: Kerry Holt Hay Cubes, Inc.  
 BLM File: UTU-82099  
 NEPA: UT-040-05-44 CX  
 DOGM File: S/021/036  
 Date Mapped: July, 2005  
 Notes: proposed sales contract area for  
 decorative rock quarry

Base Map: USGS Beryl Jct. 7.5' quad  
 Iron County, T. 36 S., R. 17 W., sec. 3  
 BLM Oct. 2003 Aerial Photography



Scale 1: 24,000  
 1" = 2000'



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 BLM Oct. 2003 Aerial Photography

- 82099access.shp  
 82099quarry.shp  
 82099sample  
 BLM Wilderness Area  
 Bantreth-Jones Land Use Lands  
 Bureau of Land Management (BLM)  
 Indian Reservation (IR)  
 Military Reservations and Corps of Engineers  
 National Park Service (NPS)  
 Private  
 State  
 State, County, City, Wildlife, Park and Outdoor Recreation Areas  
 US Fish and Wildlife (USFWS) National Wildlife Refuge  
 US Forest Service (USFS)  
 USFS Wilderness Area  
 Water

Map 2



Scale 1: 24,000  
 1" = 2000'

# ZIONS BANK®

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August 10, 2005

State of Utah Dept. of Natural Resources  
Division of Oil, Gas and Mining  
1594 W. North Temple - Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

ATTN: Beth Ericksen

Dear Beth,

This letter acknowledges the receipt of a Reclamation Surety by Zions Bank from the Division of Oil, Gas and Mining (DGMA). Zions Bank agrees to the terms of the instructions and will place an administrative hold on the account and the amount outlined below until such time that a redemption or release authorization is provided by DGMA in accordance with the instructions.

Mine Site:	Quartz Hill S/021/036
Account Name:	Kerry Holt Hay Cubes, Inc.
Account Number:	
Principal Amount:	\$17,000.00
Date:	August 11, 2005

If you have any questions, please don't hesitate to contact me at 435-878-2260. Thank you.

Sincerely,

Bart Merrill  
Vice President



JON M. HUNTSMAN, JR.  
Governor  
GARY R. HERBERT  
Lieutenant Governor

**State of Utah**  
**DEPARTMENT OF NATURAL RESOURCES**  
**Division of Oil, Gas & Mining**

MICHAEL R. STYLER  
Executive Director

JOHN R. BAZA  
Division Director



August 9, 2005

Zions Bank  
25 East Main  
Box 309  
Enterprise, Utah 84725-0309  
(435) 878-2260

Attention: Bart Merrill, Vice President

Subject: Reclamation Surety, Certificate of Deposit Kerry Holt Hay Cubes, Inc.'s Quartz Hill Mine Site,  
S/021/036, Iron County, Utah  
Certificate of Deposit no. # \_\_\_\_\_; Principal Amount \$17,000

This letter describes the mutually agreed upon instructions of the below signed parties to Zions Bank ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit ("CD"), which is being used as a surety to guarantee the availability of reclamation funds for the Quartz Hill mine site ("Mine Site"), Iron County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$17,000 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the United States Department of Interior Bureau of Land Management ("USDOI-BLM") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

**Ownership and Renewal:**

Ownership of the CD is retained by Kerry Holt Hay Cubes, Inc., a Utah corporation, ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and USDOI-BLM and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division and the authorized



officer of USDOIBLM.

**Redemption:**

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of USDOIBLM to the Bank. Upon the instruction and demand of the Director and authorized officer of USDOIBLM, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of USDOIBLM may redeem the CD.

**Release:**

The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of USDOIBLM to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

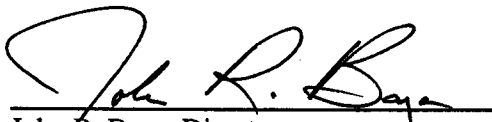
**Accrued Interest:**

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$17,000. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

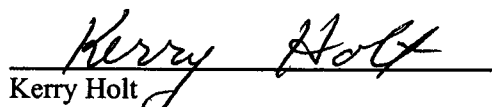


Bank will not be held liable for any dispute between the parties.

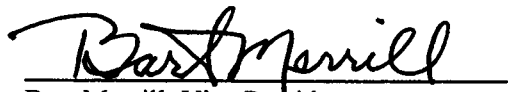
Agreed Upon By:

  
John R. Baza, Director  
Utah Division of Oil, Gas & Mining

Date: 8/18/05

  
Kerry Holt  
Kerry Holt Hay Cubes, Inc  
Tax ID Number:

Date: 8-10-05

  
Bart Merrill, Vice President  
Zions Bank, Enterprise

Date: 8-10-05

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